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CONFIDENTIAL

Mr. Thomas E. Dutton
Partner
Jones Day
P.O. Box 165017
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Dear Mr. Dutton:

The purpose of this letter is to provide Jones Day with an independent, third-party fair market value (FMV) opinion of the proposed Professional Services Agreement (PSA) between Methodist Le Bonheur Healthcare and the oncology practice of West Clinic, PC. (WC).

The parties are currently involved in an extensive, arm's-length negotiation process that has involved several months of discussion related to multiple components of a potential arrangement, including a PSA. Prior to finalizing the agreement, the parties are seeking guidance from a qualified third party with respect to a range of physician compensation that represents FMV for the professional services to be provided through the PSA. To this end, Jones Day, legal counsel for Methodist, has engaged ECG Management Consultants, Inc., to conduct an analysis of the projected aggregate compensation to be paid to WC by major specialty category under the terms of the PSA relating only to professional services. ECG has not been asked and its analysis does not include any consideration of administrative or any other services that may be considered in and compensated for through the PSA or related agreements. Based on our discussions with representatives from both parties, we understand that the PSA will encompass a standard compensation rate for each work relative value unit (WRVU) produced by the group with consideration of specialty mix, and that Methodist will assume all overhead costs associated with the practice attributed to rendering professional services. Because of the diversity of specialists to be compensated through the proposed PSA, this opinion provides FMV payment per WRVU by each major specialty category. Furthermore, it is our understanding that given the proximity of select WC locations to the main hospital and other factors, specific sites may be excluded from the PSA. Without making adjustments to the methodology, ECG has grouped its results of the FMV analysis in a manner that reflects the potential exclusion of specific sites based on discussions with Jones Day.

To complete our assessment, we have reviewed the following data in assessing the FMV of the proposed arrangement:

EXHIBIT
126 SL
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- Historical compensation and collections data for the physicians of WC, as provided by WC management. ECG estimated the breakout of net collections into professional components and technical components (TCs).[1]
- Historical CPT code counts for the WC physicians, which were converted to WRVUs by ECG.
- Historical WRVUs and collections by WC location of service, as well as compensation for WC physicians based on approximate percentage of physician time attributed to each location.

In issuing this opinion, we have relied solely on the information provided to us by WC, and we have not undertaken an independent investigation of such information. This opinion is limited to the facts presented from this information and may be subject to change if such facts were to be modified or if the terms of the final agreements are different from those that we have reviewed.

As an independent healthcare management consulting firm with an active practice in assessing hospital/physician relationships, ECG regularly performs compensation and reimbursement studies for taxable and tax-exempt entities. Thus, we are well qualified to provide an opinion of FMV payment per WRVU by specialty. Based on our review and analysis of the data ECG was given, the table below lists the upper range of FMV payment rates per WRVU for the services to be provided by WC. In addition to showing the results for all locations included, the table displays an additional scenario of a site that may be excluded from the PSA. Such scenarios only affect the payment rate per WRVU for one of the six specialty categories.

[1] ECG used WC-provided CY 2010 CPT code line item billing claims and collections data and applied Centers for Medicare & Medicaid Services (CMS) 2011 BETOS categories to determine the breakout of professional components and TCs. ECG assumed all drugs and the TCs of imaging codes to be nonprofessional collections and all other collections to be professional collections.

Table 1 – WC FMV Compensation Per WRVU

	All Locations Included	Corinth Excluded
Hematology/Oncology	$147.14	$145.05
Gynecology/Oncology	$87.73	$87.73
Radiology	$56.48	$56.48
Endocrinology	$162.44	$162.44
Hospitalists	$64.32	$64.32
Pain Management	$61.58	$61.58

Our analysis is limited to the specialty-level compensation to be paid to WC through the PSA, and as such, this document does not constitute an opinion on the reasonableness of the compensation that WC will pay to its individual providers or independent contractors. Further, as we have not been provided information regarding the overall benefits package to be provided under the arrangement, we have not commented.

The remainder of this letter is organized into the following sections:

- WC Background
- FMV Definitions
- Description of FMV Methodology
- FMV Analysis
- Conclusions
- Qualifications

A. WC Background

1. Overview of WC

Established in 1979, WC is a multispecialty group practice specializing in providing interdisciplinary cancer care. WC is one of the nation's premier centers for oncology, hematology, radiology, and other advanced medical care with eight locations and more than 400 employees. WC physicians include oncologists, hematologists, gynecologic oncologists, radiologists, pain specialists, endocrinologists, and other specialists. The Memphis Heart Clinic, which operates as a separate division within WC, provides cardiovascular care in Tennessee; this FMV letter applies only to the

WC providers related to oncology services who will be covered by the PSA. For purposes of this FMV opinion letter, the group practice of WC under review consists of 28 physicians:

- 16 hematology/medical oncologists.
- Four gynecological oncologists.
- Four radiologists.
- An endocrinologist.
- Two hospitalists.
- A pain management specialist.

The WC physicians currently practice in several locations across two states, including:

- Memphis, Tennessee (two locations).
- Collierville, Tennessee.
- Brighton, Tennessee.
- Covington, Tennessee.[2]
- Bartlett, Tennessee.[2]
- Southaven, Mississippi.
- Corinth, Mississippi.

Applying a consistent methodology, ECG conducted an FMV analysis and has displayed the results under three unique scenarios that take into consideration a site that may be excluded from the PSA:

- *Scenario A* – WC, inclusive of all productivity and related physician compensation regardless of location/site of service.
- *Scenario B* – Exclusion of production and related physician compensation attributed to the Corinth, Mississippi, location.

2. Historical WC Performance

WC provided ECG with several data sets for the FMV analysis. ECG used FTE, clinical FTE (CFTE), specialty, and compensation data supplied by WC and did not independently verify this

[2] The Covington and Bartlett locations are closed as of the date of this letter; however, claims originating from these sites in 2010, and their resulting WRVUs and collections, were included in our analysis.

information. WC provided ECG with line item CPT code billing data for all of CY 2010. ECG exclusively used the billing data to calculate WRVUs and total net collections for each rendering provider that is a part of this FMV analysis. In order to accurately reflect WRVUs for the group, ECG used the CMS 2010 schedules to assign WRVUs to each CPT code performed for each rendering provider under review. For total net collections, all revenues collected from the payor, patient, and other sources associated with each CPT code performed (including dummy CPT codes used to identify payor bonuses and other revenues) were included for each rendering provider under review. Table 2 outlines data related to physician FTE status (including CFTE status, WRVUs, historical compensation, and total net collections). Based on benchmarking analyses conducted by ECG (presented in the subsections below), the group has realized high levels of compensation and productivity relative to national benchmarks. Please note that physician compensation attributed to the location that is excluded from Table 2B below is based on an estimate of time by physician and location (where applicable) provided by WC to ECG.

Table 2A – WC 2010 Practice Profile
(All Locations)

	FTE	CFTE	Actual WRVUs	Actual Compensation[3]	Total Actual Net Collections[4]
Hematology/Oncology	16.00	15.05	147,745	$21,052,579	$89,968,767
Gynecology/Oncology	4.00	4.00	64,191	4,956,003	16,304,192
Radiology	4.00	4.00	61,088	5,434,644	16,194,943
Endocrinology	1.00	0.80	1,751	194,662	735,311
Hospitalists	2.00	2.00	5,144	464,667	474,921
Pain Management	1.00	1.00	3,844	152,500	214,729
Total	**28.00**	**26.85**	**283,763**	**$32,255,055**	**$123,892,862**

[3] Represents total compensation excluding benefits and 401(k) company contributions.

[4] Represents actual CY 2010 total collections at the line item CPT code level provided by WC.

Table 2B – WC 2010 Practice Profile
(Excluding Corinth)

	FTE	CFTE	Actual WRVUs	Actual Compensation[5]	Total Actual Net Collections[6]
Hematology/Oncology	15.40	14.45	139,334	$20,564,501	$84,123,278
Gynecology/Oncology	3.90	3.90	62,383	4,817,527	14,713,154
Radiology	4.00	4.00	61,088	5,434,644	16,194,943
Endocrinology	1.00	0.80	1,751	194,662	735,311
Hospitalists	2.00	2.00	5,144	464,667	474,921
Pain Management	1.00	1.00	3,844	152,500	214,729
Total	**27.30**	**26.15**	**273,543**	**$31,628,501**	**$116,465,336**

Given that there are four hematology/oncology physicians with notable administrative and research time, ECG normalized WRVUs and collections to account for these nonclinical activities. However, total compensation was not adjusted for CFTE based on information from WC stating that compensation is driven by clinical revenue supporting these nonclinical activities. In the scenario where a site was excluded, however, compensation was adjusted for the four physicians practicing at the Corinth site. Compensation was adjusted based on FTE percentages provided by WC.

Given that many benchmarking surveys, particularly MGMA, do not include drug-related and all TC revenues in their data sets, it was necessary for ECG to separate out these revenues. We did so using the WC-supplied CY 2010 CPT code billing data and applied CMS code categorizations in order to remove all drug revenues (drug administration codes were not excluded per MGMA standards). The revenues associated with the TCs of imaging-related codes were removed assuming the ratio of using CMS's methodology of separating the TC with a TC modifier and the professional component with a 26 modifier for each applicable code. Table 3 presents the CFTE-normalized WRVUs and collections breakout.

[5] Represents total compensation excluding benefits and 401(k) company contributions.

[6] Represents actual CY 2010 total collections at the line item CPT code level provided by WC.

Table 3A – WC 2010 CFTE-Adjusted Productivity and Collections
(All Locations)[7]

	Normalized WRVUs	Adjusted TC/Drug-Related Collections[8]	Adjusted Non-TC/Non-Drug-Related Collections	Total Adjusted Net Collections
Hematology/Oncology	162,162	$ 82,474,354	$19,852,971	$102,327,325
Gynecologic Oncology	64,191	11,231,819	5,072,373	16,304,192
Radiology	61,088	12,366,193	3,828,749	16,194,943
Endocrinology	2,189	455,129	464,010	919,138
Hospitalists	5,144	209,809	265,112	474,921
Pain Management	3,844	563	214,166	214,729
Total	**298,618**	**$106,737,866**	**$29,697,381**	**$136,435,247**

NOTE: Figures may not be exact due to rounding.

Table 3B – WC 2010 CFTE-Adjusted Productivity and Collections
(Excluding Corinth)[9]

	Normalized WRVUs	Adjusted TC/Drug-Related Collections[10]	Adjusted Non-TC/Non-Drug-Related Collections	Total Adjusted Net Collections
Hematology/Oncology	153,751	$ 76,497,859	$18,465,989	$94,954,847
Gynecologic Oncology	62,383	9,619,808	4,765,335	14,385,143
Radiology	61,088	12,366,193	3,828,749	16,194,943
Endocrinology	2,189	455,129	464,010	919,138
Hospitalists	5,144	209,809	265,112	474,921
Pain Management	3,844	563	214,166	214,729
Total	**283,689**	**$99,149,360**	**$27,994,361**	**$127,143,721**

NOTE: Figures may not be exact due to rounding.

7 All numbers are normalized to 1.00 CFTE for those providers that are less than 1.00 CFTE.

8 Numbers were calculated using WC CY 2010 CPT line item data and CMS categorization of each CPT code.

9 All numbers are normalized to 1.00 CFTE for those providers that are less than 1.00 CFTE.

10 Numbers were calculated using WC CY 2010 CPT line item data and CMS categorization of each CPT code.

B. FMV Definitions

For background purposes, we have provided two definitions of FMV that are germane to this opinion.

- **Internal Revenue Service Definition**

  FMV, for the purposes of the Internal Revenue Service (IRS) and the American Society of Appraisers, is defined as:

  "The price at which a business or business interest would change hands between a willing buyer and willing seller, neither being under compulsion to buy or sell and both having reasonable knowledge of all relevant facts as of the applicable valuation date."[11]

  FMV represents the price that the market would be willing to pay for the services provided. The definition from IRS Revenue Ruling 59-60 was written with specific reference to business valuations. However, for purposes of the FMV analyses that ECG provides, it is applied to the services as defined by parties in their agreements. For this purpose, ECG defines the market as physician services or whatever other service (e.g., practice management, equipment lease) is being provided. Thus, FMV encompasses the value of services to be provided.

- **CMS Definition**

  A more healthcare-specific definition of FMV is provided by the CMS in the preamble to the Stark II Phase II regulations. In it, the term "fair market value" is defined as the value in arm's-length transactions, consistent with general market value. This is defined as the compensation that would be included in a service agreement as the result of bona fide bargaining between well-informed parties to the agreements that are not otherwise in a position to generate business for each other.

  Further, CMS defines "commercially reasonable" as an arrangement that would make commercial sense if entered into by a reasonable entity of similar type and size and a reasonable physician of similar scope and specialty, even if there were no business referrals between the parties.[12]

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[11] Adapted from IRS Revenue Ruling 59-60, 1959-1, C.B. 237, Section 2.02.

[12] Preamble to Stark II Phase II regulations, Federal Register, Vol. 69, No. 59, page 16093 (March 26, 2004); Preamble to Stark II Phase III Regulations, Federal Register, Vol. 71, No. 171, page 51081 (September 5, 2007).

It is important to note that each of these definitions explains FMV in general terms, focusing on the negotiating process through which a compensation arrangement is developed. As such, they do not offer practical guidance for determining appropriate and market-based compensation, nor do they provide insights regarding the standards that regulators will apply in monitoring compliance.

C. Description of FMV Methodology

In the absence of clear regulatory guidance, ECG determines FMV based on evidence that the arrangement under consideration produces results that are consistent with those of similar arrangements, given similar circumstances, including national, regional, and local market conditions. To do this, we draw upon our practical experience in physician compensation matters, as well as benchmark data from relevant industry surveys.

1. Benchmarks Identified

As geography and group type can influence physician compensation levels for a given specialty, we often use data sets specific to the region of the country in which the physician practices. However, given that oncologists are typically recruited at a national level, ECG used national data for all practices from the Medical Group Management Association (MGMA) *Physician Compensation and Production Survey: 2011 Report Based on 2010 Data.* This survey is generally regarded within the industry as the best available source of relevant compensation data; it is published annually and contains a wide range of compensation and productivity data, as well as large sample sizes from thousands of physicians across the country.

2. Methodology Considerations

The following considerations guide our approach to determining FMV in general and with respect to this analysis in particular:

- **Group Considerations**

  Methodist is planning on developing a PSA with the WC physicians as a group for specific services. The WC physicians will be negotiating as a group to provide all of the desired professional services to Methodist. Therefore, when determining an FMV range for compensation per WRVU, ECG considered the payment on a specialty and group level.

- **Specialty-Specific Considerations**

  When assessing FMV, ECG typically relies upon the best benchmarking data sources available. However, even with the best available data, an element of uncertainty remains when gauging the performance of certain specialties due to sampling errors and external data

sources that do not account for every relevant variable. As such, given that the MGMA national benchmarks for gynecologic oncology has a very low sample size of under 20 providers for many tables and the gynecologic oncology physicians provide very similar services as the WC hematology/oncology providers (based on CPT codes and billing levels), we believe that in this situation, it is appropriate to use the hematology/oncology benchmarks for all of the hematology/oncology and gynecologic oncology providers. For all other specialties, we chose to use their specialty-specific MGMA benchmarks, because they represent the best benchmarks available.

- **Subspecialization**

  Within oncology, there are tremendous opportunities to subspecialize (head and neck, lung, breast, abdomen, etc.). By specializing in a certain region of the body or for a given type of cancer, oncologists may generate different levels of productivity and require varying levels of resources. This may result in different economic outcomes for different types of oncologists. By developing a compensation structure that creates a pool of compensation for all oncologists within the group, the group provides the environment for oncologists to specialize in certain areas without regard to the financial attractiveness of that subspecialty. This structure provides the community with increased access to specialists who focus on various types of cancers.

- **Stark Law Group Practice**

  Stark law defines a group practice as: "A single legal entity operating primarily for the purpose of being a physician group practice in any organizational form recognized by the State in which the group practice achieves its legal status, including, but not limited to, a partnership, professional corporation, limited liability company, foundation, nonprofit corporation, faculty practice plan, or similar association. The single legal entity may be organized by any party or parties, including, but not limited to, physicians, health care facilities, or other persons or entities (including, but not limited to, physicians individually incorporated as professional corporations)."[13] This statute allows a group practice to develop a compensation pool and distribute it based on a series of predefined steps.

For purposes of this assessment, in general, we consider a physician compensation plan to be within the FMV range if the compensation level to be paid meets one or more of the following criteria:

[13] 42 CFR § 411.352.

- The payments under the plan are within the appropriate FMV range, which we generally consider to be between the 25th to 75th percentiles of the most appropriate benchmarks. In general, paying above the 50th percentile or median level should be justified by documenting the specific circumstances of the arrangement and reasons why paying at the higher end of the FMV range is warranted.
- The plan results in compensation levels that are commensurate with projected group productivity (as measured by volume or revenue/collections).
- The physicians earn compensation under the plan that is comparable to what they could earn working in a similar organization or in private practice.

3. Overview of Compensation Analysis

To complete our analysis and provide an FMV range of compensation per WRVU that would be appropriate given the facts and circumstances of the proposed arrangement, we conducted the following three "tests" of reasonableness, given the assumption that productivity levels are likely to remain at similar levels in the future:

- *Compensation-to-WRVU Ratio Test* – For this test, we compiled the most recent MGMA data pertaining to reported compensation-to-WRVU ratios and compared them to historical group performance.
- *Compensation-to-Professional Collections Ratio Test* – For the purposes of this test, we determined what the compensation pool for the group would be, based on historical professional collections and the MGMA median compensation-to-professional collections ratio (adjusted for the specialty mix of the group). We then divided the projected compensation pool for each specialty by the historical group WRVUs to determine an appropriate compensation per WRVU payment rate. The resultant compensation per WRVU rates were then averaged (weighted based on FTE associated with each specialty).
- *Compensation-to-Production Commensurate Test* – In the case of WC, physicians have been able to realize very high levels of compensation and professional collections relative to benchmarks. We believe that in principle, physicians should receive compensation that is generally commensurate with their productivity (in terms of professional collections), as productivity remains the primary driver of compensation nationally. For the purposes of this test, we identified a compensation pool for the group that would be commensurate to their overall productivity, as measured by collections. Then, we divided the compensation pool by historical WRVUs to determine an appropriate compensation per WRVU payment rate.

Each test is outlined in the analysis section below.

D. FMV Analysis

1. Compensation-to-WRVU Ratio Test

In our first test of reasonableness, we compiled specialty-specific MGMA benchmarks related to reported compensation-to-WRVU ratios. Table 4 below lists the MGMA compensation-to-WRVU ratio benchmark for the respective specialties.

Table 4 – 2011 MGMA National Compensation Per WRVU Benchmarks

	25th Percentile	Median	75th Percentile	90th Percentile
Hematology/Oncology	$69.60	$87.73	$106.64	$133.41
Gynecologic Oncology[14]	$69.60	$87.73	$106.64	$133.41
Radiology	$46.93	$56.48	$74.22	$103.53
Endocrinology	$40.46	$46.94	$54.28	$68.18
Hospitalists	$44.73	$54.24	$66.25	$85.16
Pain Management	$51.96	$61.58	$80.40	$94.73

These rates were then used to develop a benchmark for the group that is indexed to specialty mix. As illustrated in the tables below, the group's current compensation-to-WRVU ratio falls between the 75th and 90th percentiles when compared to benchmarks in both of the location-based scenarios.

Table 5A – WC Compensation Per Normalized WRVU Versus Weighted MGMA Benchmarks

(All Locations)

	25th Percentile	Median	75th Percentile	90th Percentile
MGMA Average Compensation Per WRVU (WC FTE Weighted)	$62.91	$78.48	$96.31	$121.98
WC CY 2010 Compensation Per Normalized WRVU	$108.01	$108.01	$108.01	$108.01

[14] Hematology/oncology benchmarks used.

Table 5B – WC Compensation Per Normalized WRVU Versus Weighted MGMA Benchmarks
(Excluding Corinth)

	25th Percentile	Median	75th Percentile	90th Percentile
MGMA Average Compensation Per WRVU (WC FTE Weighted)	$62.74	$78.25	$96.05	$121.69
WC CY 2010 Compensation Per Normalized WRVU	$109.67	$109.67	$109.67	$109.67

The group's high compensation-to-WRVU ratios are consistent with overall compensation earned by the group. As illustrated below, the group's historical compensation (relative to benchmarks) exceeds the group's WRVU performance.

Table 6A – WC 2010 Compensation and WRVU Benchmark Comparison
(All Locations)

	Compensation		WRVUs	
	Total Compensation	Percentage of 90th Percentile Benchmarks	Total Normalized WRVUs	Percentage of 90th Percentile Benchmarks
Hematology/Oncology	$21,052,579	168%	162,162	122%
Gynecologic Oncology[15]	4,956,003	159%	64,191	193%
Radiology	5,434,644	180%	61,088	114%
Endocrinology	194,662	59%	2,189	31%
Hospitalists	464,667	76%	5,144	40%
Pain Management	152,500	18%	3,844	24%
Total/Weighted Average	**$32,255,055**	**158%**	**298,618**	**117%**

NOTE: Figures may not be exact due to rounding.

[15] Ibid.

Table 6B – WC 2010 Compensation and WRVU Benchmark Comparison
(Excluding Corinth)

	Compensation		WRVUs	
	Total Compensation	Percentage of 90th Percentile Benchmarks	Total Normalized WRVUs	Percentage of 90th Percentile Benchmarks
Hematology/Oncology	$20,564,501	164%	153,715	116%
Gynecologic Oncology[16]	4,817,527	154%	62,383	188%
Radiology	5,434,644	180%	61,088	114%
Endocrinology	194,662	59%	2,189	31%
Hospitalists	464,667	76%	5,144	40%
Pain Management	152,500	18%	3,844	24%
Total/Weighted Average	**$31,628,501**	**155%**	**288,398**	**113%**

NOTE: Figures may not be exact due to rounding.

Because current group compensation-to-WRVU ratios exceed the MGMA median by a large margin, we conducted further analysis of the group's collections to derive a more relevant compensation-to-WRVU ratio. This analysis is outlined further in the second test of reasonableness below.

2. Compensation-to-Professional Collections Ratio Test

For the purposes of this test, we determined what the compensation pool for the group would be, based on historical professional collections and the MGMA median compensation-to-professional collections ratio (adjusted for the specialty mix of the group). To support this approach, we conducted an analysis of the group's 2010 professional collections performance, relative to 2010 WRVU performance. A comparison of both metrics is outlined in Table 7.

[16] Ibid.

Table 7A – CFTE Normalized Professional Collections Per WRVU Benchmark Comparison
(All Locations)

	WC Total Professional Collections Per WRVU	Percentage of Median Benchmarks	Percentage of 75th Percentile Benchmarks
Hematology/Oncology	$122.43	154%	125%
Gynecologic Oncology	$79.02	100%	80%
Radiology	$62.68	88%	62%
Endocrinology	$212.00	292%	238%
Hospitalists	$51.54	113%	98%
Pain Management	$55.71	56%	38%
Weighted Average (Weighted by FTE)	**$99.45**	**130%**	**103%**

Table 7B – CFTE Normalized Professional Collections Per WRVU Benchmark Comparison
(Excluding Corinth)

	WC Total Professional Collections Per WRVU	Percentage of Median Benchmarks	Percentage of 75th Percentile Benchmarks
Hematology/Oncology	$120.04	151%	122%
Gynecologic Oncology	$76.39	96%	78%
Radiology	$62.68	88%	62%
Endocrinology	$212.00	292%	238%
Hospitalists	$51.54	113%	98%
Pain Management	$55.71	56%	38%
Weighted Average (Weighted by FTE)	**$97.07**	**127%**	**100%**

Table 7 illustrates the strong collections performance experienced historically by the group; its rate of collections overall is between 121 and 130 percent of national median benchmarks (depending on whether select locations are included/excluded). It is reasonable to assume that the strong economics of the group will continue under a PSA arrangement. As such, we derived a compensation-per-WRVU rate that is indexed to MGMA National benchmarks for compensation-to-collections ratios and applied to the group's historical collections. Table 8 illustrates how this calculation was performed for the physicians in the hematology/oncology specialty.

Table 8 – Illustration of Compensation-to-Collections Calculation
(Hematology/Oncology – All Locations)

Metric	Legend	Value
WC CFTE Normalized Historical Hematology/ Oncology Annual Professional Collections	A	$19,852,971
MGMA Median Hematology/Oncology Compensation-to-Collections Ratio	B	1.10
Imputed Compensation Pool	A × B = C	$21,739,003
WC Actual Historical Hematology/Oncology Annual Normalized WRVUs	D	147,745
Imputed Compensation Per WRVU	C ÷ D = E	$147.14

NOTE: Figures may not be exact due to rounding.

The above analysis was repeated for all six specialties participating in the proposed PSA. The results are illustrated in Table 9 below.

Table 9A – Summary of Imputed Compensation Per WRVU by Specialty
(All Locations)

	25th Percentile	Median	75th Percentile
Hematology/Oncology	$98.76	$147.14	$195.65
Gynecologic Oncology	$58.08	$86.53	$115.05
Radiology	$34.28	$45.19	$56.22
Endocrinology	$132.23	$162.44	$197.16
Hospitalists	$51.69	$64.32	$82.10
Pain Management	$23.46	$35.55	$49.31

Table 9B – Summary of Imputed Compensation Per WRVU by Specialty
(Excluding Corinth)

	25th Percentile	Median	75th Percentile
Hematology/Oncology	$97.36	$145.05	$192.87
Gynecologic Oncology	$56.15	$83.65	$111.22
Radiology	$34.28	$45.19	$56.22

	25th Percentile	Median	75th Percentile
Endocrinology	$132.23	$162.44	$197.16
Hospitalists	$51.69	$64.32	$82.10
Pain Management	$23.46	$35.55	$49.31

As illustrated above, the analysis produces median compensation per WRVU results that are more reflective of their collections. These numbers are indicative of the high collections per WRVU ratios experienced by the group, which we anticipate will continue under the PSA arrangement.

3. Compensation-to-Production Commensurate Test

Our final test of reasonableness involves comparing the group's historical production (measured in collections) to compensation levels. In conducting this analysis, we emphasize the principle that physicians should receive compensation that is generally commensurate with their productivity (in terms of professional collections), as productivity remains the primary driver of compensation nationally.

Table 10 illustrates the relationship between the group's actual compensation and collections, when compared to benchmarks.

Table 10A – Comparison of Compensation Benchmarking to Collections Benchmarking

(All Locations)

	WC Actual Compensation as a Percentage of 90th Percentile Benchmarks	WC Collections as a Percentage of 90th Percentile Benchmarks[17]
Hematology/Oncology	168%	149%
Gynecologic Oncology	159%	152%
Radiology	180%	92%
Endocrinology	59%	85%
Hospitalists	76%	56%
Pain Management	18%	17%
Total	**158%**	**128%**

[17] Numbers are normalized to 1.00 CFTE.

Table 10B – Comparison of Compensation Benchmarking to Collections Benchmarking
(Excluding Corinth)

	WC Actual Compensation as a Percentage of 90th Percentile Benchmarks	WC Collections as a Percentage of 90th Percentile Benchmarks[18]
Hematology/Oncology	164%	138%
Gynecologic Oncology	154%	143%
Radiology	180%	92%
Endocrinology	59%	85%
Hospitalists	76%	56%
Pain Management	18%	17%
Total	**155%**	**121%**

As illustrated above, the group's compensation performance exceeds collections performance by a wide margin. We conducted analysis to determine a compensation per WRVU rate that would perfectly align compensation and collections, as outlined in Table 11.

Table 11A – Overview of Imputed Compensation Per WRVU Calculation
(All Locations)

Metric	Legend	Value
Current Annual Compensation Pool	A	$32,255,055
Percentage Reduction Needed to Align With Collections Percentile	B	19%
Imputed Compensation Pool	C = A × (1 – B)	$26,126,594
Historical Annual Actual WRVUs	D	283,763
Imputed Compensation Per WRVU	E = C ÷ D	$92.07

NOTE: Figures may not be exact due to rounding.

[18] Numbers are normalized to 1.00 CFTE.

Table 11B – Overview of Imputed Compensation Per WRVU Calculation
(Excluding Corinth)

Metric	Legend	Value
Current Annual Compensation Pool	A	$31,628,501
Percentage Reduction Needed to Align With Collections Percentile	B	22%
Imputed Compensation Pool	C = A × (1 – B)	$24,670,231
Historical Annual Actual WRVUs	D	273,543
Imputed Compensation Per WRVU	E = C ÷ D	$90.19

NOTE: Figures may not be exact due to rounding.

Based on this analysis, we derived imputed compensation-to-WRVU values of $92.07 and $90.19 for the two scenarios.

E. Conclusions

WC current compensation per WRVU in both of the scenarios is displayed in the table below.

Table 12 – WC Current Compensation Per Actual WRVU

	Scenario A: All Locations	Scenario B: Corinth Excluded
Hematology/Oncology	$142.49	$147.59
Gynecology Oncology	$77.21	$77.23
Radiology	$88.96	$88.96
Endocrinology	$111.17	$111.17
Hospitalists	$90.33	$90.33
Pain Management	$39.67	$39.67

The results of our three tests provide a wide range of potential compensation per WRVU rates for consideration in the context of the proposed PSA.

Based on the data presented to ECG and the analyses performed above, we believe that a range consisting of the reported median MGMA compensation-to-WRVU ratio and the results of Test 2 (imputed compensation as a percentage of net professional collections) is the most appropriate methodology for assessing the FMV of compensation for the WC physicians. Test 2 is appropriate because it takes into account the relationship between the compensation and collections of the

group (in addition to only the relationship between compensation and WRVUs). For physicians with high collections, we generally consider amounts paid at the median of an imputed compensation-to-collections benchmark to be consistent with FMV, because it indicates what a physician's compensation is in relation to his/her collections and is consistent with that of his/her peers within the specialty on a percentage of collections basis.

The following table includes what ECG believes are appropriate FMV rates per WRVU for the services provided by WC by major specialty category (with the upper end of the range displayed):

Table 13 – WC FMV Compensation Per WRVU

	Scenario A: All Locations	Scenario B: Corinth Excluded
Hematology/Oncology	$147.14	$145.05
Gynecology Oncology	$87.73	$87.73
Radiology	$56.48	$56.48
Endocrinology	$162.44	$162.44
Hospitalists	$64.32	$64.32
Pain Management	$61.58	$61.58

Our opinion applies only to an FMV range for compensation per WRVU for professional clinical services. The results shown above in Table 13 only address physician compensation before consideration of benefits. MGMA benchmark data used for ECG's analysis specifically excludes benefits as part of compensation. However, it is our understanding that Methodist will reimburse WC for the benefits payable to its physicians in an amount consistent with the benefits currently provided by WC. Based on the data provided to ECG by WC, the types and attributable costs of benefits provided to WC physicians are reasonable and consistent with national and ECG proprietary benchmark data of similar private practices.

Further, ECG understands that Methodist will engage WC to (a) provide management services to Methodist's inpatient and outpatient cancer service lines and (b) provide other administrative services and lease certain personnel and space. The compensation paid to WC under such arrangements, which will ultimately be paid by WC to its participating physicians through payments for medical director services or for dividend distributions, is excluded from this analysis because such compensation does not relate to the group's clinical practice of medicine. The FMV range should also be reevaluated if information becomes available that is materially different than the facts that we have been apprised of to date, including data sets provided to us.

In issuing this opinion, we have relied solely on the facts and information presented to us. We have not undertaken an in-depth independent investigation of such information. This opinion is limited to the facts presented. If material facts have not been disclosed or have been misrepresented, this opinion is void. Our analysis is limited to the aggregate compensation per WRVU to be paid to WC through a potential PSA, and as such, this document does not constitute an opinion on the reasonableness of the compensation WC will pay to its individual providers or independent contractors.

The figures in Table 13 are consistent with the FMV of the services to be rendered under the proposed arrangement in accordance with the definition of "fair market value" for purposes of the federal physician self-referral statute as defined in 42 CFR Section 411.351, do not take into account the volume or value of anticipated or actual referrals between the parties, and are commercially reasonable. This opinion can be relied upon through December 31, 2015, for the respective specialty provided that at the conclusion of CY 2013, the calculated ratio of compensation to professional collections (replicating the calculation ECG uses in the FMV analysis) is 5 percentage points or fewer when compared to the median ratio of physician compensation to collections of the most recent MGMA *Physician Compensation and Production Survey,* National, all physicians reporting (available at the time of the calculation for the respective subspecialty included in the PSA) for the respective specialty.

The reported benchmark of physician compensation-to-collections ratio is central in the determination of this FMV opinion and therefore is the primary metric that should be used as criteria to determine whether ECG's opinion can be relied upon beyond December 31, 2013. However, there can be unusual variability in this metric for a given year of the MGMA survey and therefore an alternative comparison should be performed in the event the reported physician compensation-to-collections ratio in the MGMA survey changes by 20 or more percentage points (in either direction) over the 2-year period between the 2011 and 2013 surveys for the respective specialty (e.g., the reported ratio is outside the range of 0.91 to 1.29 in the 2013 MGMA survey for hematology/oncology).

The alternative comparison shall use the compensation-to-WRVU ratio for the applicable specialty. If the comparison of WC calculated compensation-to-WRVU ratio to the reported median MGMA ratio for the respective specialty at the conclusion of CY 2013 is 5 percentage points or less compared to the variance calculated at the time of this opinion (using the compensation rates of the high end of FMV range), then the opinion may be relied upon through CY 2015.

If WC falls outside of the specific ranges for either the primary comparison (if survey data is deemed to be reliable per the criteria described above) or the alternative comparison, should it be

used, ECG's FMV opinion cannot be relied upon for that particular specialty for CY 2014 and CY 2015, and a new FMV analysis would need to be conducted by a qualified third party.

Please see ATTACHMENT A for illustrative scenario-based examples of calculations required at the conclusion of 2013 to determine if this FMV opinion can be relied upon through CY 2015.

The FMV payment rates per WRVU shall apply to new physician recruits (incremental or replacement) for the respective subspecialty with the full expectation that WC will continue to hire physicians with similar profiles, including credentials and levels of productivity that mirror those of existing WC physicians. However, ECG's FMV opinion cannot be relied upon and the FMV payment rates shown in Table 13 cannot be applied to WRVUs generated by multiple physicians who may join WC at one time as a result of a merger, acquisition of or cluster recruitment from another physician practice (for a subspecialty relevant to this opinion) within the same service area unless such group's collections, productivity, and credentials mirror that of WC. If such a transaction were to occur, a new FMV opinion would need to be conducted by a qualified third party.

F. Qualifications

In accordance with the appropriate regulations, we certify that ECG is an independent consulting firm with an active practice in physician compensation matters. As such, we regularly perform compensation studies for taxable and tax-exempt entities, and we are well qualified to offer compensation studies and opinions of the type described in and provided by this letter.

ECG has provided physician compensation planning assistance to a variety of independent medical groups, system-sponsored practices, and academic organizations across the United States. This background ensures that we have a detailed understanding of your environment. ATTACHMENT B provides a sample of our recent, relevant experience.

Our formal FMV policy is included as ATTACHMENT C.

* * * * * *

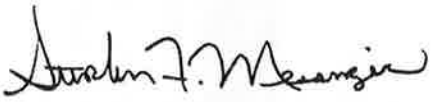
We appreciate the opportunity to work with you and look forward to providing assistance to Methodist in the future. If you have any questions regarding this letter, please do not hesitate to contact us.

Very truly yours,

ECG MANAGEMENT CONSULTANTS, INC.

Christopher T. Collins
Engagement Principal

Leonard J. Henzke
Reviewing Principal



Stephen F. Messinger
Reviewing Principal

CTC,LJH,SFM/lmp/176610/925-03-E2

Enclosures

ECG MANAGEMENT CONSULTANTS, INC.

ILLUSTRATIVE SCENARIO-BASED EXAMPLES OF 2-YEAR CHECK FOR FMV OPINION RELATED TO WEST CLINIC ONCOLOGY

1. Reliability check of reported MGMA survey metric: compensation-to-collections ratio.				
Example: Hematology/Oncology	**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
2011 MGMA Median Compensation-to-Collections Ratio	1.10	1.10	1.10	1.10
2013 MGMA Median Compensation-to-Collections Ratio	0.95	1.29	1.30	0.89
Difference as Percentage Points (2 Years)	**-0.15**	**0.19**	**0.20**	**-0.21**
Reliable for Conducting Compensation-to-Collections Test (20 Points)?	Yes	Yes	**No**	**No**
Conduct Compensation-to-Collections Test?	**Yes**	**Yes**	**No**	**No**
2. If MGMA metric above is deemed reliable, conduct compensation-to-collections comparison test. No other test is needed or applicable.				
Example: Hematology/Oncology	**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
West Clinic CYE 2013 Calculated Compensation to Collections	1.12	1.15	1.00	1.19
2013 Reported MGMA Median Compensation to Collections Ratio	1.05	1.19	0.95	1.25
Difference as Percentage Points	**0.07**	**-0.04**	**0.05**	**-0.06**
Within Acceptable Range (5 Percentage Points or Less)?	**No**	Yes	Yes	Yes
ECG FMV Opinion Valid for CY 2014 and CY 2015?	**No**	**Yes**	**Yes**	**Yes**
New FMV Opinion Required by Qualified Third Party?	Yes	**No**	**No**	**No**

3. If MGMA metric is deemed unreliable, the above compensation-to-collections comparison test is invalid. Conduct the compensation-to-WRVU ratio test.				
Example: Hematology/Oncology	**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
Base Year (2011)				
West Clinic Compensation Per WRVU	$147.14	$147.14	$147.14	$147.14
2011 Median MGMA Reported Compensation-to-WRVU Ratio	87.73	87.73	87.73	87.73
West Clinic Payment as Percentage of MGMA Median	167.7%	167.7%	167.7%	167.7%
CYE 2013				
Example: Hematology/Oncology	**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
West Clinic Compensation Per WRVU	$147.14	$147.14	$147.14	$147.14
2013 Median MGMA Reported Compensation-to-WRVU Ratio (Illustrative)	$90.00	$84.00	$95.00	$86.00
West Clinic Payment as Percentage of MGMA Median	163.5%	175.2%	154.9%	171.1%
Difference Between Base Year and 2013 Calculation	**4.2%**	**-7.4%**	**12.8%**	**-3.4%**
Within Acceptable Range (5 Percentage Points or Less)?	**Yes**	**No**	**Yes**	**Yes**
ECG FMV Opinion Valid for CY 2014 and CY 2015?	**Yes**	**No**	**Yes**	**Yes**
New FMV Opinion Required by Qualified Third Party?	**No**	**Yes**	**No**	**No**

NOTE: Tests/triggers apply to each subspecialty independently.

ECG MANAGEMENT CONSULTANTS, INC.

PROPRIETARY RESEARCH

A list of participants in ECG Management Consultants, Inc.'s proprietary research studies is available upon request and includes many premier, independent multispecialty practices and large health systems for which we conduct annual reviews and recommend compensation structure adjustments.

Survey Name	Description
Northwest *Provider Compensation, Production, and Benefits Surveys*	Custom benchmarking surveys of more than 5,000 physicians and midlevel providers practicing in 34 Washington State and Oregon organizations. Conducted annually since 1999.
Midwest *Provider Compensation, Production, and Benefits Survey*	Custom benchmarking survey of 31 organizations with more than 3,500 physicians and midlevel providers in the Midwestern states. Conducted annually since 2005.
National Pediatric Subspecialty Physician Compensation, Production, and Benefits Survey	National pediatric subspecialty survey of more than 3,000 pediatric subspecialist physicians practicing at 35 children's hospitals nationwide. Conducted annually since 2005.
Southeast *Provider Compensation, Production, and Benefits Survey*	Custom benchmarking survey of physicians and midlevel providers in the Southeastern states. Commenced in 2010.
2010 Emergency Department Call Coverage Survey	Regional emergency department call coverage and compensation survey. The AMGA and ECG collaborated to address the fast-changing trends in call coverage arrangements.
Faculty Practice Plan Physician Reimbursement Survey	A national study of faculty practice plan (FPP) reimbursement conducted in cooperation with a large health plan and a university FPP. The survey provides aggregated physician reimbursement data and qualitative information regarding commercial health plan arrangements. Conducted for 2 years.
2006 Pay-for-Performance Survey	Comprehensive pay-for-performance (P4P) study of AMGA membership, which includes many of the premier large group practices throughout the country.
Capitation and Risk Contracting Survey	Nationwide study of prevalence and trends in capitation and risk contracting across AMGA's membership.

Survey Name	Description
Cardiovascular Service Line Management Survey – Key Findings and Implications	ECG and the Healthcare & Science business of Thomson Reuters partnered to conduct a cardiovascular services management survey in 2009. The purpose of this survey was to identify trends in cardiovascular service organizations and governance in top-performing hospitals.
Health System Governance Structure and Practices Survey	A broad governance structure survey of healthcare systems, with participation from organizations throughout the country. The study included information from 11 large health systems across the nation, representing 300 hospitals and affiliated entities.

Compensation Planning Clients

Client Name and Location	Type of Organization
Palo Alto Medical Foundation, Palo Alto, California	System-aligned multispecialty medical group.
Straub Clinic & Hospital, Honolulu, Hawaii	Physician-owned multispecialty medical group and hospital.
The Polyclinic, Seattle, Washington	Physician-owned multispecialty medical group.
Lewis-Gale Clinic, LLC, Salem, Virginia	Physician-owned multispecialty medical group.
Rockwood Clinic P.S., Spokane, Washington	Physician-owned multispecialty medical group.
Pacific Medical Centers, Seattle, Washington	Independent multispecialty group.
St. Luke's Hospital, San Francisco, California	Independent foundation medical group aligned with Sutter Health.
Sutter Medical Center of Santa Rosa, Santa Rosa, California	Independent foundation medical group aligned with Sutter Health.
MultiCare Health System, Tacoma, Washington	System-employed multispecialty physician network.
PeaceHealth Medical Group, Eugene, Oregon	System-employed multispecialty network.
Stevens PrimeCare, Edmonds, Washington	District-employed primary care network.
LeBauer HealthCare, Greensboro, North Carolina	Employed primary care network affiliated with Moses Cone Health System.
Premier Health Partners, Dayton, Ohio	Hospital-employed primary care group.
University of Washington Physicians, Seattle, Washington	University-affiliated primary care physician network.

Client Name and Location	Type of Organization
Baystate Affiliated Practice Organization, Springfield, Massachusetts	System-employed network aligned with a faculty practice plan.
Baystate Medical Education and Research Foundation, Springfield, Massachusetts	Faculty practice plan.
The Children's Hospital of Philadelphia, Philadelphia, Pennsylvania	Pediatric faculty practice plan.
Oregon Health & Science University School of Medicine, Portland, Oregon	Department of pediatrics affiliated with the faculty practice plan.
Southern Illinois University School of Medicine, Springfield, Illinois	Faculty practice plan.
Kern Medical Center/Kern Faculty Associates, Bakersfield, California	Faculty practice group, including integration of private practices.
University of Florida College of Medicine, Gainesville, Florida	Multispecialty faculty practice plan.
Cambridge Health Alliance, Cambridge, Massachusetts	System-employed physician network.

ECG MANAGEMENT CONSULTANTS, INC.

FAIR MARKET VALUE LIMITATIONS

1. Obligations

The obligation of ECG Management Consultants, Inc., is solely a corporate obligation, and no officer, principal, director, employee, agent, shareholder, or controlling person shall be subjected to any personal liability whatsoever to any person or entity, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the opinion.

In reaching our final conclusion with respect to fair market value (FMV), we have taken into account those factors set forth in IRS Revenue Ruling 59-60, 1959-1, C.B. 237, including:

- The nature of the business and the history of the enterprise from its inception.
- The economic outlook in general and the condition and outlook of the specific industry in particular.

2. Statement of Limiting Conditions

This report, including but not limited to its analyses, opinions, conclusions, and value, is qualified as follows:

- The facts described in this report were provided by client management or obtained from independent third parties, published sources, and commercial databases. We have accepted this information without further verification. Our value recommendations assume this information is materially true and correct. Had we audited or reviewed the underlying data, matters may have come to our attention that would have resulted in our using amounts which differ from those provided. Accordingly, we take no responsibility for the underlying data presented or relied upon in this report.
- The value recommendations assume competent management in the context of a going concern.
- Neither our services nor the fee for this assignment is contingent upon the reported value(s). No professional involved in this assignment has any financial interest in the transaction evaluated.
- This report sets forth a range of FMV, and we assume that Jones Day will exercise reasonable operational diligence in selecting the appropriate compensation value(s) from within the FMV range for inclusion in the agreement. Further, it should be noted that the low end of the FMV range provided herein is for guidance purposes only. Many physicians agree to provide services outlined in this report to hospitals on an uncompensated basis.
- This report does not consider events or transactions occurring after the date hereof. ECG has no obligation to update the report unless specifically engaged by Jones Day to do so.

- No aspect of this report should be construed as providing any legal interpretation, advice, or conclusions with respect to the agreement. ECG assumes that the arrangement described herein is in full compliance with all applicable federal, state, and local regulations and laws unless the lack of compliance is stated, defined, and considered in the report, provided, however, ECG acknowledges that Jones Day has engaged ECG to provide an independent third-party appraisal of the compensation paid under the agreement to support financial and operational planning and to comply with law.
- This report applies only to the arrangement described herein and does not take into consideration any other arrangements or relationships Jones Day may have with ECG.
- This report is limited by the reported assumptions and limiting conditions and represents our unbiased professional analysis, opinions, and conclusions.
- To the best of our knowledge and belief, the statements of fact contained in this report are true and correct.
- ECG's liability for damages for this report will be limited to gross negligence, fraud, or willful misconduct and shall not exceed the total amount paid for the services described herein. We will not be liable for any lost revenue or for any claims or demands against you by any other party. In no event will we be liable for incidental or consequential damages, even if we have been advised of the possibility of such damages. No action, regardless of form, arising out of the services described herein may be brought by either party more than 3 years after the date of the last services provided under this report.
- This report is provided exclusively for the benefit of Jones Day in connection with the transaction evaluated and may not be used or relied upon by Jones Day for any other purpose or by any other party for any purpose.